



ENVISION ARLINGTON FISCAL RESOURCES TASK GROUP  
Meeting Minutes 7:30 PM 1/17/19

Senior Center Ground Floor Mural Room

ATTENDEES: Gordon Jamieson (Co-Chair), David Garbarino, Heather Remoff, Janet Pagliuco, Pete Howard (Secretary)

Leadership Interviews: Gordon to arrange with Fire Chief.

Financial Officer Invitations to meeting: Gordon has discussed w/new school CFO.

Community Corner #8: Gordon provided a final version. One correction. All approve. He will ask Sandy Pooler to review before sending to Advocate. Ref 1

Arlington High School rebuild. Gordon & Pete attended the forum on Monday. We discussed the likely impact on property taxes. The override, if voted as being considered in June would be added to 2020 bill. The exclusion will be added as funds are borrowed cover design and building activities. This will be several years from now.

Gordon's FRTG presentation to Select Board. See Ref 2. Gordon went through his presentation plan. He got lots of feedback & advice. The Chair has allocated him 15 min. He included an expanded set of projections showing the effect of using the actual FY19 income and assuming a \$6m override this June. The projection shows a 3 yr extension with confidence.

Next mtg Feb 18?

Meetings monthly - 3rd Thursdays 7:30 PM - Usually in Senior Center Mural Room.

Ref 1 Citizens Corner #8

Ref 2 Split Rate And Residential Exemptions Effect on Taxes (Preliminary)

Ref 1

From Gordon 1/17/19

## Citizens Corner - Tax Overrides & Debt Exclusions

By Pete Howard and Gordon Jamieson

Welcome back to Citizens' Corner, an occasional column prepared by members of the Envision Arlington Fiscal Resources Task Group designed to help residents both old and new learn more about how our Town functions. This week we'll review the ins and outs of Proposition Two and One Half (Prop 2 ½) which regulates local property tax increases in the Commonwealth.

Back in 1980, when Massachusetts was still called Taxachusetts by some, the voters approved a state wide referendum question called Prop 2 ½. This vote established, for the first time, a limit on the total amount that a municipality's annual real estate & personal property tax levy could increase. To exceed this limit, the town has to secure approval from its registered voters.

How does Prop 2 ½ work to define the amount of taxes that can be collected each year? The levy limit for the current tax year (the amount of taxes to be collected) is calculated as follows: The previous year's tax levy is increased by 2.5 percent plus the amount of taxes attributable to growth in the tax base (termed new growth). This number is the levy limit.

New growth is the increase in the town's tax base not caused by revaluation, but rather by development. New growth includes property improvements (renovations, additions and the like) that increase the assessed value of a property as well as new construction.

Arlington works hard to budget within the existing levy limit. Despite those efforts, increases in the levy limit has proven to be less than what the Town requires to maintain services in the face of growth in our school population and the service expectations of our residents. Prop 2 ½ provides two ways to address these budgetary pressures: Tax Overrides and Debt Exclusions. Both require approval by the Town's voters.

Tax overrides authorize the Town to increase the property tax levy by a specific dollar amount in the next fiscal year. In subsequent years the levy limit increase is 2 ½% of the previous year (including the override) plus new growth. Thus the override tax increase provides for a permanent increase in the tax base. These taxes are used to pay the cost of operating the Town. Arlington voters last approved an operating tax override in 2011.

Debt exclusions authorize the Town to raise the property tax levy by a specific amount to borrow the funds required to complete and pay for specific capital projects. Typically these projects are the construction of new or renovated buildings. Arlington voters last approved debt exclusions in 2016 to cover the costs of rebuilding Minuteman Vocational High School, of rebuilding Gibbs School ~~renovation~~ and of funding AHS rebuild planning.

Debt exclusions are <sup>have</sup> added to the base property tax levy limit each year until the principal and interest on the loan ~~has~~ been fully repaid. The debt exclusion is then removed from the property tax levy. Thus while the increase in property tax levy due to an override is permanent; the increase in the property tax levy due to a debt exclusion is temporary and expires after the loan authorizing the borrowing of the funds has been repaid.

While the overall increase in the total property tax levy is limited to "2.5% plus new growth" as summarized above, the property tax on any particular property is affected by changes in its assessed value and may increase by more or less than 2 ½ %.

The procedures leading up to the vote approving an operating override or debt exclusion are specified in the Prop 2 ½ law. The Select Board is responsible for deciding when to call for a vote under Prop 2 ½ and for scheduling the vote (election). Prop 2 ½ also specifies the required wording of the vote as put forth to the voters.

Hence, because of Prop 2 ½, Massachusetts no longer warrants the Taxachusetts moniker at the local property tax level given that a local municipality's voters, by direct vote, approve any significant increase in local property taxes.

For more details, ask your precinct's Town Meeting Members, your precinct's Finance Committee member, consult Chapter 6 of the Association of Town Finance Committees Handbook or Mass General Laws Title IX, Chapter 59 Section 21 or attend one of our meetings which occur on the third Thursday of the month.

*~ The Envision Arlington Fiscal Resources Task Group embraces and works to help the Town better realize the following Town goal: "We value Arlington's efficient delivery of public services providing for the common good. The benefits from these services and the responsibility of taxation will be equitably distributed among us. We will be known for our sound fiscal planning and for the thoughtful, open process by which realistic choices are made in our Town." We meet monthly and all are welcome to attend.*



Envision Arlington's Fiscal Resources Task Group

Select Board January 23, 2019 *WJ*

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Citizens Corner Series

Governmental Primer

Leadership and Financial Interviews

Annual Town Warrant/Financial Plan Reviews

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Draft - Citizens Corner - Overrides and Debt Exclusions

Five year plan financial modelling (one-page graphic summary)

Arlington tax structure - Future options - W/S Debt shift - Residential exemption (one-page graphic)

Impact of restructuring tax system .. Resident occupied vs. Non-resident occupied property division

Discussion

*Ref 2*

V
V
V
V
V
Total
Tax Burden
(No changes)
^
^
^
^

W/S Debt Shift	W/S Debt Shift	W/S Debt Shift
AHS + 6M	AHS + 6M	AHS + 6M
Residential Exemption		
Residential Owner-Occupied	Residential Non-Owner-Occupied	Commerical Non-Owner-Occupied

V
V
V
V
V
Net
Minus W/S
^
^
^
^
Minus 35K/70K Exemption
^
^
^

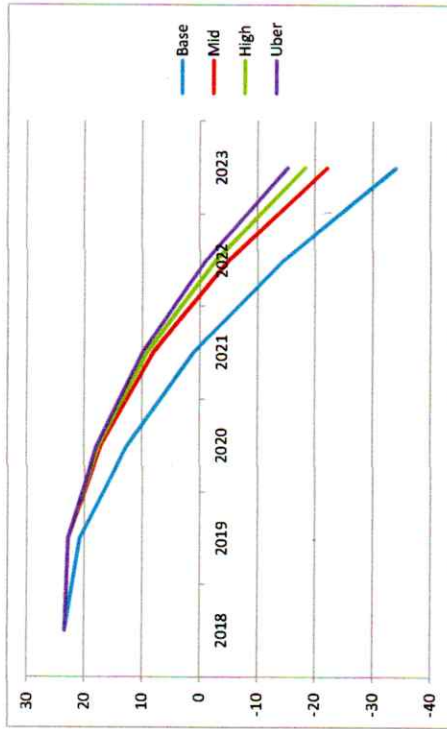
5/5/6M	Owner Occupied				Non-Owner Occupied			
	Value	AHS	6M	Total	Ex+W/S	Net	No-Ex+W/S	Net
	250	278	137	414	-430	-16	-15	399
	500	555	274	829	-445	384	-30	799
	750	833	410	1243	-460	783	-45	1198
	1000	1110	547	1657	-475	1182	-60	1597
	1500	1665	821	2486	-505	1981	-90	2396
	2000	2220	1094	3314	-186	3128	-120	3194
in 1000's								
	AHS	6M	Total	Ex and W/S Impact	Net plus AHS plus 6M	No-Ex and W/S Impact	Net plus AHS plus 6M	

Phase-In  
 1.25% Ex + 25% W/S Removed - 2020 6M  
 2.5% Ex + 50% W/S Removed - AHS Phase I  
 3.75% Ex + 75% W/S Removed - AHS Phase II  
 5% Ex + 100% W/S Removed - AHS Completion

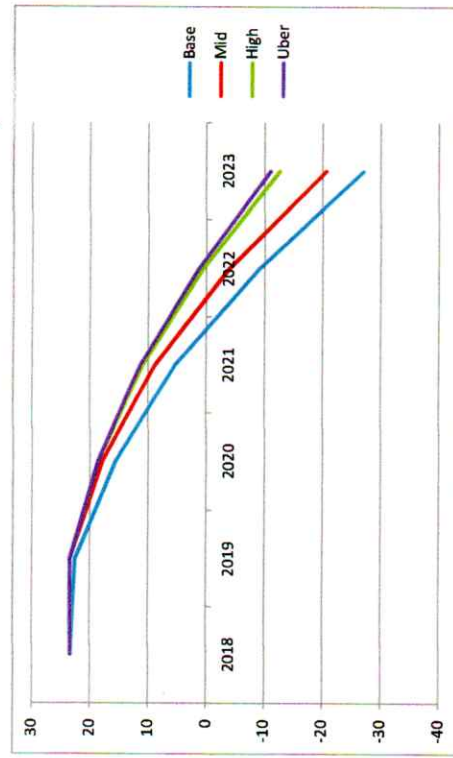
10/10/6M	Owner Occupied				Non-Owner Occupied			
	Value	AHS	6M	Total	Ex+W/S	Net	No-Ex+W/S	Net
	250	278	137	414	-758	-344	108	522
	500	555	274	829	-651	178	215	1044
	750	833	410	1243	-543	700	323	1566
	1000	1110	547	1657	-436	1221	430	2087
	1500	1665	821	2486	-221	2265	645	3131
	2000	2220	1094	3314	-6	3308	860	4174
in 1000's								
	AHS	6M	Total	Ex and W/S Impact	Net plus AHS plus 6M	No-Ex and W/S Impact	Net plus AHS plus 6M	

Phase-In  
 2.5% Ex + 25% W/S Removed - 2020 6M  
 5.0% Ex + 50% W/S Removed - AHS Phase I  
 7.5% Ex + 75% W/S Removed - AHS Phase II  
 10% Ex + 100% W/S Removed - AHS Completion

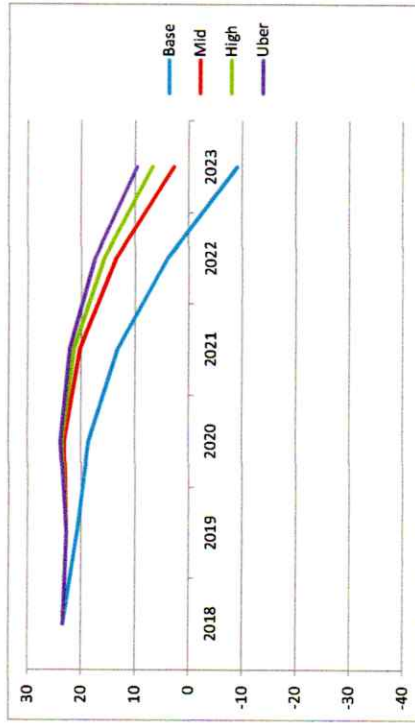
May-18



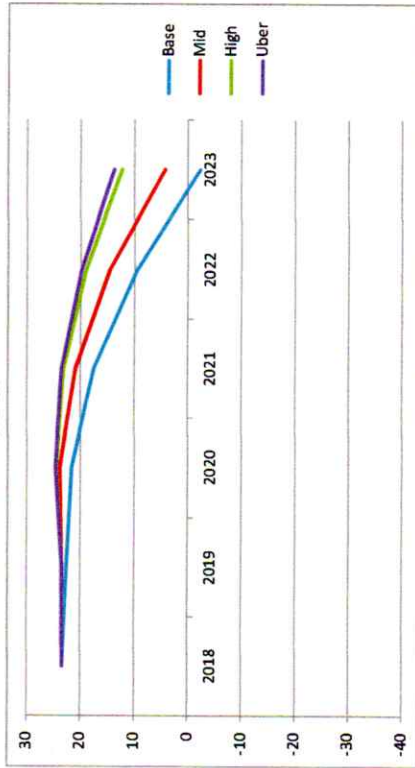
Dec-18



Plus 6M (over mid)



Plus 6M



	Base	Mid	High	Uber
2018	23.4	23.4	23.4	23.4
2019	20.8	22.8	22.8	22.8
2020	18.7	23.2	23.6	23.9
2021	13.3	20.3	21.4	22.2
2022	4.0	13.6	15.8	17.5
2023	-9.0	2.8	6.8	9.7
2024				

	Base	Mid	High	Uber	UberXXX
2018	23.4	23.4	23.4	23.4	23.4
2019	22.6	23.5	23.5	23.5	23.5
2020	21.7	23.9	24.6	24.7	26.9
2021	17.6	21.0	23.2	23.6	28.0
2022	9.5	14.6	19.0	19.9	26.5
2023	-2.3	4.3	12.3	13.8	22.6
2024				4.5	15.5

	Base	Mid	High	Uber	UberXXX
2018	23.4	23.4	23.4	23.4	23.4
2019	22.6	23.5	23.5	23.5	23.5
2020	15.7	17.9	18.6	18.7	26.9
2021	5.4	8.9	11	11.4	28.0
2022	-9	-3.8	0.6	1.4	26.5
2023	-27	-20.6	-12.6	-11	22.6
2024				-27.1	15.5